

Message Text

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E.O. 11652: N/A DECLASSIFY UPON RECEIPT.

TAGS: ENRG, IEA

SUBJECT: REPORT ON THE SLT REVIEW OF NATIONAL ENERGY
PROGRAMS.

1. ADDRESSEE POSTS ARE REQUESTED TO DELIVER TEXT BELOW

TO HOST GOVERNMENT OFFICIALS RESPONSIBLE FOR SLT MATTERS.
OECD MISSION PASS TO KELLY.

2. BEGIN TEXT. FOLLOWING IS THE DRAFT OF MY PROPOSED
REPORT TO THE GOVERNING BOARD ON THE RESULTS OF THE
REVIEWS OF IEA MEMBER COUNTRY ENERGY PROGRAMS AND POLICIES.
IT DISCUSSES THE SECRETARIAT'S REPORT ON THE LIKELY AVAIL-
ABILITY OF OPEC OIL IN 1985; IT COMPARES THE PROJECTED
IEA DEMAND FOR OIL IMPORTS WITH THIS ESTIMATE AND MAKES
RECOMMENDATIONS FOR REINFORCING MEMBER COUNTRY ENERGY
PROGRAMS. BECAUSE OF THE TIME CONSTRAINTS I HAVE INCLUDED
SOME ESTIMATES WHICH WILL HAVE TO BE REVISED DURING THE
COURSE OF OUR DISCUSSION OF THIS DOCUMENT.

HOWEVER, I FELT IT WOULD BE
USEFUL FOR YOU TO HAVE AS MUCH OPPORTUNITY AS POSSIBLE TO
CONSIDER THIS REPORT IN CAPITALS BEFORE OUR MEETING ON
FEBRUARY 24-26. (I HAVE ASKED THE SECRETARIAT TO CIRCULATE
THE REPORTS IT HAS PREPARED ON OPEC PRODUCTION AND PRO-
JECTED OIL DEMAND BY OTHER GROUPS OF COUNTRIES. WE WILL BE
REVIEWING THESE DURING THE FORTHCOMING SLT MEETINGS AS WELL.
SLT REPORT ON THE REVIEW OF ENERGY PROGRAMS IN IEA
COUNTRIES.

IN 1976 IT BECAME APPARENT THAT THE REDUCTION IN ENERGY
CONSUMPTION IN IEA COUNTRIES WHICH OCCURRED IN 1974 AND
1975 WAS PRIMARILY CAUSED BY THE MARKED REDUCTION IN
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ECONOMIC ACTIVITY AND OTHER REASONS EXTRANEEOUS TO THE
ENERGY POLICIES ESTABLISHED BY IEA GOVERNMENTS. AS A
RESULT, THERE WAS GROWING UNCERTAINTY THAT THESE ENERGY
PROGRAMS WOULD BE ADEQUATE TO ACHIEVE THE DESIRED BALANCE
OVER THE LONG TERM BETWEEN SUPPLY AND DEMAND NECESSARY
TO REDUCE OUR ECONOMIC AND POLITICAL VULNERABILITY DUE
TO HEAVY DEPENDENCE ON OIL IMPORTS.

IN RESPONSE, THE GOVERNING BOARD ON NOVEMBER 9 INSTRUCTED
THE STANDING GROUP ON LONG TERM COOPERATION TO "REVIEW
THE NATIONAL AND COOPERATIVE POLICIES AND PROGRAMMES
ADOPTED OR PROPOSED BY PARTICIPATING COUNTRIES AND SUB-
JECT THEM TO SCRUTINY AS TO THE RESULTS THEY ARE EXPECTED
TO ACHIEVE." THE SLT WAS ALSO INSTRUCTED TO:

-- ASSESS THE LEVEL OF OIL EXPECTED TO BE AVAILABLE
BASED ON ALL RELEVANT CONSIDERATIONS, AND

-- COMPARE THE LEVEL OF IEA OIL DEMAND RESULTING
FROM THE POLICIES ADOPTED OR PROPOSED BY PARTICIPATING
COUNTRIES AGAINST THE LEVEL OF OIL EXPECTED TO BE AVAIL-
ABLE.

IF THIS COMPARISON DID NOT INDICATE A DESIRABLE BALANCE BETWEEN SUPPLY AND DEMAND, THE SLT WAS INSTRUCTED TO "PREPARE, FOR THE GOVERNING BOARD, SUGGESTIONS FOR REINFORCING THESE POLICIES."

THE SLT FINDINGS ARE SUMMARIZED BELOW:

1) MEMBER COUNTRIES "BEST ESTIMATES" OF ENERGY SUPPLY/DEMAND BALANCES RESULT IN A PROJECTED LEVEL OF IEA DEPENDENCE ON IMPORTED OIL OF APPROXIMATELY 1,265 MTOE (25.3 MMBD) BY 1985.

2) THE SLT CONCLUDED THAT MEMBER COUNTRY ESTIMATES LIMITED OFFICIAL USE
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ARE HIGHLY OPTIMISTIC CONSIDERING THE EXPECTED RESULTS OF SUPPLY/DEMAND MEASURES NOW IN PLACE. THE POSSIBLE IEA IMPORT DEPENDENCE LEVEL BY 1985 COULD BE AS MUCH AS 1834 MTOE (36.6 MMBD). THE POTENTIAL SHORTFALL BY SECTOR IS AS FOLLOWS:

OIL DEMAND - 162 MTOE (3.2 MMBD)
NUCLEAR POWER - 100 MTOE (2.0 MMBD)
GAS PRODUCTION - 132 MTOE (2.6 MMBD)
GAS IMPORTS - 50 MTOE (1.0 MMBD)
OIL PRODUCTION - 125 MTOE (2.5 MMBD)

OBTAINING NOT ALL THE POTENTIAL INCREASE IN ENERGY DEMAND AND SHORTFALL IN SUPPLY WILL BE DIRECTLY TRANSLATED INTO INCREASED OIL IMPORTS. NEVERTHELESS, THIS IS AN ORDER OF MAGNITUDE WHICH IS AT RISK.

3) THE SLT CONCLUDED THE PHYSICAL OIL PRODUCTION CAPACITY OF OPEC COUNTRIES BY 1985 IS ESTIMATED AT 2200 MTOE (44 MMBD) WHILE THE 'MOST LIKELY' LEVEL OF OPEC OIL PRODUCTION, TAKING INTO ACCOUNT POLITICAL AND ECONOMIC CONSIDERATIONS, WILL BE APPROXIMATELY 1800 MTOE (36 MMBD).

4) ESTIMATED OIL DEMAND FROM ALL NON-IEA COUNTRIES (INCLUDING OPEC) COULD ADD AS MUCH AS 550 MTOE (11 MMBD).

5) SUCH A PROJECTED WORLD DEMAND FOR OIL IMPLIES
A) THE RELATIVE DEPENDENCE OF IEA COUNTRIES ON OPEC OIL IS LIKELY TO INCREASE, UNLESS PRESENT ENERGY POLICIES ARE STRENGTHENED; B) OPEC WILL BE ABLE TO MAINTAIN AND INCREASE THE REAL PRICE OF OIL IMPORTS; AND C) THE COST AND RELIABILITY OF OIL SUPPLIES WILL REMAIN SUBJECT TO SUBSTANTIAL UNCERTAINTY.

THE SLT HAS NOW COMPLETED A FIRST REVIEW OF THE ENERGY

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PROGRAMS AND POLICIES IN IEA COUNTRIES. THIS REVIEW WAS BASED ON INFORMATION DRAWN PRINCIPALLY FROM MEMBER COUNTRIES' SUBMISSIONS TO THE EARLIER IEA REVIEWS OF NATIONAL CONSERVATION, ACCELERATED DEVELOPMENT AND NUCLEAR PROGRAMS. (THE BASE DOCUMENTS PREPARED BY THE SECRETARIAT FOR THE REVIEW ARE ATTACHED AT ANNEX 1.)

ON THE BASIS OF A REVIEW OF EACH COUNTRY'S ENERGY PROGRAM, A REPORT WAS PREPARED COVERING THE STATUS OF ENERGY BALANCES SUBMITTED, THE ADEQUACY OF ENERGY MEASURES IN PLACE TO ATTAIN THESE BALANCES AND SUGGESTED WAYS IN WHICH ENERGY POLICIES IN MEMBER COUNTRIES COULD BE REINFORCED. (THE SUMMARY REPORTS OF THE SLT REVIEW OF EACH COUNTRY ARE ATTACHED AT ANNEX 2.)

A. STATUS OF ENERGY BALANCES:

MEMBER COUNTRIES' BEST ESTIMATES OF ENERGY SUPPLY/DEMAND BALANCES RESULT IN A PROJECTED LEVEL OF IEA DEPENDENCE ON IMPORTED OIL OF APPROXIMATELY 1,265 MTOE (25.3 MMBD) BY 1985. (UNITED KINGDOM PROVIDED A RANGE OF POSSIBLE OIL PRODUCTION BY 1985. THE SLT USED THE LOWER POINT ON THE RANGE TO ARRIVE AT TOTALS.) IT SHOULD BE NOTED THAT THIS TOTAL IS 50 MTOE (1 MMBD) HIGHER THAN THE AGGREGATED FORECAST DERIVED FROM COUNTRY ESTIMATES SUBMITTED TO THE RECENT NATIONAL REVIEW OF ACCELERATED DEVELOPMENT PROGRAMS, REFLECTING MODIFICATION BY SOME COUNTRIES OF THOSE FORECASTS. ON THE BASIS OF THE SLT REVIEW, IT IS FAIR TO SAY THAT THE LATEST ESTIMATES BY IEA MEMBERS OF OIL IMPORT DEMAND IN 1985 ARE HIGHLY OPTIMISTIC CONSIDERING THE EXPECTED RESULTS OF SUPPLY/DEMAND MEASURES NOW IN PLACE IN IEA MEMBER COUNTRIES.

THERE IS NO CONSISTENT PATTERN AMONGST IEA MEMBERS IN THEIR TREATMENT OF ENERGY BALANCES. MOST COUNTRIES CONSIDER 1985 BALANCES AS "BEST ESTIMATES" OR "FORECASTS"

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RATHER THAN A COMMITMENT BY THE GOVERNMENT TO ACHIEVE CERTAIN OBJECTIVES. SOME COUNTRIES HAVE ESTABLISHED SPECIFIC ENERGY DEMAND OBJECTIVES, E.G., TO REDUCE THE AVERAGE RATE OF GROWTH IN TOTAL PRIMARY ENERGY CONSUMPTION TO 3.5 PERCENT A YEAR (CANADA), OR SECTORAL SUPPLY OBJECTIVES, E.G., COAL PRODUCTION OF 135 MILLION TONS BY 1985 (UNITED KINGDOM). SOME COUNTRIES SUBMIT ENERGY PLANS TO LEGISLATURES WHICH, UPON APPROVAL, BECOME

GOVERNMENT POLICY (DENMARK) WHILE OTHERS ENUNCIATE ENERGY OBJECTIVES ON THE BASIS OF THE EXPECTED EFFECT OF PROPOSED PROGRAMS (UNITED STATES).

B. ADEQUACY OF ENERGY PROGRAMS AND POLICIES:

BASED ON THE REVIEW OF ENERGY POLICIES AND PROGRAMS IN PLACE IN MEMBER COUNTRIES, THE SLT CONCLUDED THAT THE LEVEL OF OIL IMPORTS IN 1985 BY IEA COUNTRIES COULD BE AS MUCH AS 1834 MTOE (36.6 MMBD). THIS UPWARD REVISION IN THE EXPECTED LEVEL OF OIL IMPORTS IS CAUSED BY THE SLT'S COLLECTIVE JUDGMENT THAT MEMBER GOVERNMENT ESTIMATES OF THE FOLLOWING FACTORS ARE UNREALISTICALLY OPTIMISTIC:

-- THE NUMBER OF NUCLEAR POWER STATIONS EXPECTED TO BE IN OPERATION BY 1985,

-- THE LEVEL OF LNG IMPORTS EXPECTED TO BE AVAILABLE BY THAT DATE AND THE ABILITY OF MEMBER COUNTRIES' INFRASTRUCTURE TO ABSORB THE PROJECTED LEVEL OF GAS IMPORTS;

-- THE EXPECTED LEVEL OF OIL AND GAS PRODUCTION IN THE UNITED STATES BY 1985; AND

- THE SIGNIFICANT REDUCTION IN ENERGY DEMAND GROWTH EXPECTED FROM CONSERVATION MEASURES LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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NOW IN PLACE AND AS AN ADJUSTMENT TO HIGHER ENERGY PRICES BY 1985 IS NOT WARRANTED AND COULD ADD SIGNIFICANTLY (ANOTHER 162 MTOE OR 3.2 MMBD) TO EXPECTED IEA OIL IMPORTS.

1. NUCLEAR POWER

THE SLT REVISED DOWNWARDS GOVERNMENT ESTIMATES OF INSTALLED NUCLEAR CAPACITY BY 1985. IN 1975, NUCLEAR POWERED ELECTRICITY ACCOUNTED FOR 73 MTOE WHILE MEMBER GOVERNMENTS ESTIMATED THE SAME SOURCE WOULD PROVIDE 441 MTOE BY 1985. THE SLT DECIDED THAT SOME 100 MTOE OF THIS AMOUNT WAS CERTAINLY AT RISK AND AN INSTALLED NUCLEAR CAPACITY OF ABOUT 340 MTOE BY 1985 WAS MORE LIKELY.

THESE REVISIONS ASSUME THE FOLLOWING: A) NUCLEAR PLANTS WHICH HAVE NOT BEEN APPROVED, SITED AND FINANCED BY 1977 WILL NOT BE IN OPERATION BY 1985, AND B) THE LEVEL OF ELECTRICITY DEMAND PROJECTED BY MEMBER GOVERNMENTS IS ACCURATE. IF THIS SHORTFALL IS NOT OFFSET BY INCREASED

USE OF ANOTHER FUEL OR MORE STRINGENT CONSERVATION MEASURES, IEA OIL IMPORTS BY 1985 COULD INCREASE BY 100 MTOE (ABOUT 2 MMBD).

2. GAS

(A) PRODUCTION -- IEA COUNTRY SUBMISSIONS ESTIMATE NATURAL GAS PRODUCTION INCREASES FROM 646 MTOE IN 1975 TO 776 MTOE IN 1985. SLT CONCLUDED THAT NATURAL GAS PRODUCTION WILL BE ABOUT THE SAME IN 1985 AS IT WAS IN 1975. INCREASED GAS PRODUCTION FROM CANADA AND NORWAY WILL OFFSET EXPECTED LOWER PRODUCTION LEVELS FROM THE UNITED STATES UNLESS NATURAL GAS PRICES IN THE U.S. ARE PROMPTLY DEREGULATED, AND LEVELS OF EXPLORATION INCREASED SUBSTANTIALLY. THE REDUCTION IN NATURAL GAS PRODUCTION LIMITED OFFICIAL USE
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IN THE U.S. COULD RESULT IN INCREASED IEA OIL IMPORTS OF 132 MTOE (2.6 MMBD).

(B) GAS IMPORTS -- IEA COUNTRIES EXPECT NATURAL GAS IMPORTS TO INCREASE FROM 8.6 MTOE IN 1975 TO 113 MTOE IN 1985. MUCH OF THIS GAS WILL COME FROM TRADITIONAL SOURCES VIA PIPELINE AND FOR WHICH MEMBER COUNTRIES ALREADY HAVE LONG-TERM CONTRACTS. A LARGE PORTION OF THE EXPECTED IMPORTS WILL BE IN THE FORM OF LNG. THERE IS CONSIDERABLE DOUBT WHETHER (A) ALL IEA COUNTRIES HAVE THE FINANCIAL RESOURCES TO INVEST IN THE NECESSARY INFRA-STRUCTURE TO ABSORB THESE IMPORTS, (B) THE ECONOMICS OF LNG HAVE PROVEN ATTRACTIVE TO THE PRODUCING AND CONSUMING COUNTRIES, AND (C) THE NUMBER OF LIQUEFACTION PLANTS IN OPERATION OR PLANNED IS SUFFICIENT TO PROVIDE THE PROJECTED LNG IMPORTS. THE SLT CONCLUDED THAT AT LEAST 50 MTOE OF LNG IMPORTS ARE AT RISK WHICH COULD RESULT IN INCREASED IEA OIL IMPORTS OF 1 MMBD BY 1985.

3. OIL

IEA OIL PRODUCTION IS EXPECTED TO INCREASE FROM 590 MTOE IN 1975 TO 943 MTOE IN 1985. MOST OF THIS INCREASED PRODUCTION WILL COME FROM THE NORTH SEA AND ALASKA. THE SLT CONSIDERED PROJECTIONS OF OIL PRODUCTION BY 1985 FROM OCS, ENHANCED RECOVERY METHODS, AND FRONTIER AREAS AS BEING OPTIMISTIC AND CONCLUDED THAT OIL PRODUCTION WILL PROBABLY AMOUNT TO 718 MTOE, THUS INCREASING IEA OIL IMPORTS BY 125 MTOE (2.5 MMBD) BY 1985.

4. SOLID FUELS

IEA COUNTRIES PLAN TO INCREASE SOLID FUEL PRODUCTION FROM 595 MTOE IN 1975 TO 818 MTOE IN 1985. COAL PRODUCTION IN MANY COUNTRIES, E.G., JAPAN, GERMANY AND BELGIUM,

REQUIRES GOVERNMENT INTERVENTION IN THE FORM OF SUBSIDIES
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TO REMAIN VIABLE, WHILE THE MAIN UNCERTAINTY REGARDING INCREASED PRODUCTION IN TURKEY AND GREECE IS FINANCING. THE UNITED STATES AND CANADA, ON THE OTHER HAND, ARE CONSTRAINED BY ENVIRONMENTAL AND INFRASTRUCTURE CONSIDERATIONS. THE SLT CONCLUDED THAT COAL PRODUCTION ESTIMATES WERE ACHIEVABLE, AND COULD IN FACT BE IMPROVED.

WHILE COAL IS THE FUEL WITH THE MOST POTENTIAL FOR INTRA-IEA TRADE, LITTLE INCREASE IN COAL IMPORTS IS EXPECTED BY IEA MEMBER COUNTRIES. -IN 1975 SOME 27 MTOE OF STEAM COAL WAS IMPORTED WHICH IS EXPECTED TO INCREASE TO 62 MTOE IN 1985. IEA GOVERNMENTS HAVE NOT YET DECIDED TO HELP OVERCOME EXISTING OBSTACLES TO INCREASED COAL TRADE. THE SLT CONCLUDED THAT THE LEVEL OF COAL TRADE

PROJECTED FOR 1985 COULD EASILY BE ACHIEVED.

5. HYDRO-ELECTRICITY

IEA MEMBER GOVERNMENTS PLAN TO INCREASE HYDRO-GEOTHERMAL ELECTRICITY FROM 219 MTOE IN 1975 TO 280 MTOE BY 1985. SUCH PROJECTIONS APPEAR REASONABLE AND ATTAINABLE.

6. INTERFUEL SUBSTITUTION

MANY COUNTRIES HAVE A STRONG INTERFUEL SUBSTITUTION PROGRAM REQUIRING ALL NEW BASE LOAD ELECTRICITY PLANTS TO BE (A) COAL FIRED, (B) NUCLEAR POWERED, (C) HYDRO POWERED, OR (D) DUAL FIRED. OTHER IEA COUNTRIES STILL ALLOW CONSTRUCTION OF NEW OIL-FIRED POWER STATIONS AND SHOW NO PREFERENCE REGARDING THE USE OF FUELS FOR GENERATING ELECTRICITY OR INDUSTRIAL USE.

7. ALTERNATIVE STRATEGIES

THE REVIEW CONFIRMED THAT FEW IEA COUNTRIES HAVE ANY
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REASONABLE FALL-BACK OR ALTERNATIVE ENERGY STRATEGY IF ONE OR MORE ELEMENTS OF THE OVERALL ENERGY PLAN ARE UNSUCCESSFUL. MOST COUNTRIES WILL SIMPLY INCREASE THE LEVEL OF OIL IMPORTS.

8. DEMAND ESTIMATES

THE SLT DID NOT ATTEMPT TO REVISE SUBSTANTIALLY ENERGY DEMAND PROJECTIONS BY MEMBER COUNTRIES SINCE (A) SUCH PROJECTIONS ARE DRIVEN BY GDP GROWTH ESTIMATES MADE BY MEMBER GOVERNMENTS, (B) QUANTIFICATION OF THE EFFECT OF SPECIFIC CONSERVATION MEASURES IS EXTREMELY DIFFICULT AND (C) NOT ENOUGH INFORMATION COULD BE ASCERTAINED TO MAKE SUCH ANALYTIC JUDGMENTS, E.G., NUMBER AND MIX OF RESIDENTIAL DWELLINGS.

GOVERNMENT ESTIMATES ASSUME A MAJOR STRUCTURAL READJUSTMENT OF DEMAND TO PREVAILING ENERGY PRICE LEVELS AND CONSERVATION MEASURES BY 1985. PROJECTED 1985 IEA DEMAND FOR TOTAL PRIMARY ENERGY IS ABOUT 4,700 MTOE (94 MMBD). TABLE 1 SHOWS THE RELATIONSHIP BETWEEN GDP AND TPE GROWTH RATES IMPLICIT IN COUNTRY SUBMISSIONS.

TABLE 1 GDP AND TPE PARAMETERS (1975-1985 ANNUAL GROWTH)

COUNTRY	GDP	TPE	TPE	GDP
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AUSTRIA3.5	..3.91.1	
BELGIUM3.9	..4.11.05	
DENMARK4.3	..1.0424	
FRG4.0	..3.69	
GREECE6.2	..7.31.17	
IRELAND3.7	..6.81.83	
ITALY4.5	..4.81.06	
NETHERLANDS (1)	..3.3	..4.21.27	
NORWAY5.2	..4.484	
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SPAIN3.7	..6.61.78	
SWEDEN3.0	..3.91.3	
SWITZERLAND	...2.0	..3.11.55	
TURKEY8.0	..9.31.16	
U.K.3.6	..2.158	

CANADA	.....4.2	..4.3	....1.02	
U.S.	.....4.5	..3.5	....77	

JAPAN	.....6.5	..6.9	....1.06	
NEW ZEALAND	...3.5	..5.3	.....1.51	

(1)GDP AT3.7 THROUGH 1980, 3.0 THROUGH 1985.

TPE GROWTH IMPLICIT IN COUNTRY SUBMISSIONS IS 4.16 PERCENT ANNUALLY (1975-85) COMPARED TO THE HISTORICAL TPE GROWTH RATE OF 5.4 PERCENT DURING THE PERIOD 1968-73. IF IEA COUNTRIES WERE TO ACHIEVE ONLY HALF OF THE PROJECTED REDUCTION IN TPE GROWTH, WHILE MAINTAINING GDP GROWTH OBJECTIVES, BY 1985 ENERGY DEMAND WOULD AMOUNT

TO 5,026 MTOE (4.8 PERCENT GROWTH RATE). AT LEAST 50 PERCENT OF THIS INCREASE WOULD PROBABLY BE MET BY OIL BASED ON SHIFTS IN FUEL CONSUMPTION PATTERNS ADJUSTED FOR EXPECTED SHORTFALLS IN THE AVAILABILITY OF SOLID FUELS, GAS, AND NUCLEAR POWER. IEA INCREASED OIL IMPORTS BY 1985 IMPLIED BY THIS EFFECT WOULD BE APPROXIMATELY 162 MTOE (3.2 MMBD).

C. OIL SUPPLY AVAILABLE:

1. ESTIMATED OPEC OIL PRODUCTION -- BASED ON A SECRETARIAT ESTIMATE FOLLOWING CLOSE CONSULTATIONS WITH OIL COMPANIES AND GOVERNMENT OFFICIALS, THE PHYSICAL OIL PRODUCTION CAPACITY OF OPEC COUNTRIES BY 1985 IS ESTIMATED AT 2200 MTOE (44 MMBD). HOWEVER, THE MOST LIKELY

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LEVEL OF OIL PRODUCTION, TAKING INTO ACCOUNT POLITICAL AND ECONOMIC CONSIDERATIONS, IS ESTIMATED AT 1800 MTOE (36 MMBD). THE SECRETARIAT'S PAPER FROM WHICH THESE ESTIMATES ARE DRAWN IS ATTACHED AS ANNEX 3.

2. NON-IEA DEMAND FOR OIL IMPORTS

(A WORKING PAPER WILL BE PROVIDED BY THE SECRETARIAT ON ESTIMATED NON-IEA DEMAND FOR OIL IMPORTS. THE CONCLUSIONS OF THAT PAPER, FOLLOWING DISCUSSION IN THE SLT WILL BE INCLUDED UNDER THIS SECTION.)

D. BALANCE BETWEEN SUPPLY AND DEMAND OF WORLD OIL:

BASED ON THE SLT REVIEW, IEA MEMBER COUNTRY DEMAND FOR IMPORTED OIL BY 1985 COULD BE 1834 MTOE (36.6 MMBD). THIS DEMAND ALONE EXCEEDS THE MOST LIKELY LEVEL OF OPEC PRODUCTION BY 1985. WHEN THE NET OIL IMPORT POSITIONS OF OECD, NON-IEA MEMBERS, LDC'S, AND CENTRALLY CONTROLLED ECONOMIES ARE ADDED TO THE INTERNAL CONSUMPTION OF OPEC MEMBERS AND BUNKERS, WORLD DEMAND FOR OIL WILL CERTAINLY BE MORE THAN 2000 MTOE (40 MMBD) AND COULD APPROACH 2450 MTOE (49 MMBD). SUCH A PROJECTED WORLD DEMAND FOR OIL IMPLIES A) THE RELATIVE DEPENDENCE OF IEA COUNTRIES ON OPEC OIL IS LIKELY TO INCREASE SUBSTANTIALLY BY 1985 UNLESS ENERGY POLICIES NOW IN PLACE IN IEA COUNTRIES ARE STRENGTHENED SUBSTANTIALLY;

(B) OPEC WILL BE COMPELLED EITHER TO INCREASE ITS PRODUCTIVE CAPACITY CONSIDERABLY BEYOND CURRENTLY ESTIMATED TECHNICAL CAPACITY OR WILL RAISE THE REAL PRICE OF OIL SUBSTANTIALLY. CONSEQUENTLY, THE COST AND AVAILABILITY OF OIL AT EXISTING PRICE LEVELS IS

SUBJECT TO SIGNIFICANT UNCERTAINTY.

E. MEASURES FOR REINFORCING ENERGY BALANCES:

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THE PROJECTED BALANCE BETWEEN IEA DEMAND AND AVAILABLE WORLD SUPPLY OF OIL BY 1985 WHICH EMERGES FROM THIS COMPARISON IS CERTAINLY NOT DESIRABLE. GOVERNMENTS SHOULD CONSIDER ADOPTING THE FOLLOWING GENERAL MEASURES, IN ADDITION TO THE SPECIFIC SUGGESTIONS IN THE COUNTRY REPORTS (ATTACHED AT ANNEX 2), TO REINFORCE THEIR ENERGY PROGRAMS TO ENSURE THAT THIS PROJECTED BALANCE IS IMPROVED.

1) ALL IEA COUNTRIES SHOULD ENDORSE A BASIC SET OF CONSERVATION POLICIES AND COMMIT THEMSELVES TO ADOPT AND IMPLEMENT THEM. THE EIGHTEEN RECOMMENDED ENERGY CONSERVATION MEASURES LISTED IN "ENERGY CONSERVATION IN THE INTERNATIONAL ENERGY AGENCY" COULD SERVE AS A BASIS FOR SUCH A LIST.

2) ENERGY CONSERVATION SHOULD BE GIVEN EQUAL PRIORITY WITH ENERGY SUPPLY IN TERMS OF PERSONNEL, PUBLIC FUNDS, AND R & D EFFORTS.

3) ALL IEA COUNTRIES SHOULD AGREE TO SHIFT FROM DEPENDENCE ON OIL TOWARD INCREASED RELIANCE ON COAL, AND NUCLEAR POWER. TO REINFORCE THIS COMMITMENT, IEA COUNTRIES SHOULD AGREE THAT ALL NEW BASE LOAD POWER STATIONS BUILT WILL BE COAL-FIRED, NUCLEAR OR HYDRO-POWERED.

4) COUNTRIES SHOULD COMMIT THEMSELVES TO ADOPT POLICIES FOR FACILITATING THE ACCELERATED PRODUCTION OF OIL AND GAS.

5) IEA GOVERNMENTS SHOULD PLEDGE TO COOPERATE IN REMOVING CONSTRAINTS IMPEDING INCREASED PRODUCTION AND USE OF COAL THROUGH (A) OFFTAKE GUARANTEES, (B) FINANCIAL INCENTIVES, (C) JOINT PROJECTS TO DEVELOP NECESSARY INFRA-

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STRUCTURE, (D) REMOVAL OF IMPORT RESTRICTIONS ON STEAM COAL, (E) INCREASED R&D EFFORTS IN COAL TECHNOLOGY. THE IEA SHOULD FOSTER COAL IMPORTS AND TRADE BY ASSESSING: (A) IEA COAL RESOURCE POTENTIAL, (B) ECONOMIC COMPETITIVENESS OF STEAM COAL DELIVERED TO VARIOUS IEA COUNTRIES, (C) INFRASTRUCTURE REQUIRED FOR SHIPMENT AND RECEIPT OF

COAL.

6) GOVERNMENTS SHOULD DEVELOP ALTERNATIVE ENERGY STRATEGIES TO USE DEMAND RESTRAINT MEASURES OR ALTERNATIVE FUELS RATHER THAN INCREASING OIL IMPORTS IN CASE ELEMENTS IN NATIONAL ENERGY PROGRAMS ARE NOT SUCCESSFUL.

7) GOVERNMENTS SHOULD HELP DEVELOP NECESSARY GAS INFRASTRUCTURE EITHER DIRECTLY OR THROUGH FINANCIAL AND FISCAL MEASURES SO THAT IEA COUNTRIES CAN INCREASE THEIR PRODUCTION AND UTILIZATION OF GAS.

8) GOVERNMENTS SHOULD PROVIDE ASSURANCES FOR NUCLEAR FUEL TO HELP SHIFT MEMBER COUNTRIES AWAY FROM HIGH DEPENDENCE ON IMPORTED OIL.

9) GOVERNMENTS SHOULD ENDORSE NATIONAL ENERGY PLANS WITH SPECIFIC OIL IMPORT OBJECTIVES. THE PERFORMANCE OF MEMBER COUNTRIES IN ACHIEVING SUCH OBJECTIVES SHOULD BE MONITORED IN THE IEA.

10) GOVERNMENTS SHOULD COOPERATE FULLY TO OVERCOME EXISTING CONSTRAINTS IN VARIOUS MEMBER COUNTRIES WHICH IMPEDE INCREASING COAL PRODUCTION AND UTILIZATION AND USE OF NUCLEAR POWER TO LESSEN DEPENDENCE ON IMPORTED OIL. SUCH COOPERATION SHOULD ENSURE AN EQUITABLE SHARING OF BURDENS AND BENEFITS.

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Litigation History:
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Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Page Count: 11
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3233797
Secure: OPEN
Status: NATIVE
Subject: REPORT ON THE SLT REVIEW OF NATIONAL ENERGY PROGRAMS.
TAGS: ENRG, IEA
To: ANKARA ATHENS MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/924d1fbf-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009